

The expansion of China

Western policy towards China in recent years has been to welcome her economic progress, to assist her with technology and markets for exports, and to include her more in world bodies and world discussions. China was admitted to the World Trade Organisation on favourable terms as a developing country. She has a seat on the Security Council of the UN as a major power.

More recently President Trump has asked questions about China's approach to trade, investment and technology. He has argued that China has taken advantage of western good will and friendship to cheat on the acquisition of intellectual property. He objects to the asymmetric tariff regime China has been allowed, and has felt their currency has been too cheap to assist their exports. He has become increasingly suspicious of the Made in China 2025 policy which seeks to maximise self sufficiency and to gain access to more crucial technology. He is concerned about China's Belt and Road initiative, designed to increase Chinese political influence across Asia, Africa and the Middle East through strategic investments and partnerships.

China has mainly used calm and reassuring words to avoid these disputes becoming too heated. China has positioned herself as an upholder of world institutions and world rules, confirming that she is happy with the current trade deal she enjoys from the WTO. At the same time China has become much more aggressive throughout the South China Sea area. She has created artificial islands, extended islands and rocks, built runways for military aircraft on them and installed missile facilities. The USA and her allies are seeking to keep open the international shipping lanes whilst being challenged every time they seek to traverse the seas well off China's coast.

The UK is supporting her US ally in seeking open navigation of the South China Sea beyond Chinese mainland coastal territorial waters and shares some of the US concerns. The UK is also keen to develop its trading and wider economic relationship with China. China respects UK services and seeks know how and investment from the UK in those areas, whilst enjoying good access to our goods market. The issue is how should the UK proceed from here?

Is Mr Trump right to confront China over trade matters? What is the solution to the verbal battle of the South China Seas, as US and allied naval vessels are challenged every time they seek to travel in what we regard as international waters?

Meeting with Local government Minister

I met the Local Government Minister again today with some other MPs.

I urged him to make an early decision on the issue of negative support grant for Councils. Wokingham and West Berkshire would be badly affected were there to be any such charge against them, and it is important to future budgets that no such levy is made.

I also asked for more money for social care, following the increase announced recently to deal with immediate pressures. These budgets need to meet rising demand, and can help reduce pressures on the NHS budget when people are provided with the right support and care at home.

I lobbied for Councils to have access to their business rates in future years, as this too can help a fast growing place like Wokingham with new business rate revenue coming from new shops and other commercial premises.

[Whiteknights Primary School and reading for young children](#)

Congratulations to Whiteknights Primary on becoming a literacy teaching hub. Whiteknights has done well in teaching reading to young children and is now one of a few schools selected to provide help to other primary schools to raise their standards of literacy. More money will be paid to the hub schools to carry out these duties. Pupils at the hub schools should also benefit from the work the teachers put in to improve teaching techniques and to spread their local successes more widely.

One of the crucial elements is using synthetic phonics to assist early reading, as evidence shows this is the best method to encourage young children to read. This is a crucial task, as people's life chances and job prospects are much improved if they achieve good standards of literacy.

[My Urgent Question on the EU Customs Union and Draft Withdrawal Agreement, 22 October 2018](#)

John Redwood (Wokingham) (Con): Will the Government make a statement on the additional costs of staying in the EU customs union after 2020 and provide an updated estimate of the total costs of the current draft of the withdrawal agreement?

The Economic Secretary to the Treasury (John Glen): Every arm of Government is working at pace to firm up and put in place all necessary arrangements to ensure that we are ready to leave and chart our own course as global Britain. The Government will continue to update Parliament on the progress of the negotiations, and the Prime Minister will update the House shortly in this regard in a post-Council statement.

In respect of the customs union, common rules will remain in place throughout the implementation period to give businesses and citizens critical certainty. This will mean that businesses can trade on the same terms as now until the end of 2020. As the Prime Minister has said, a further idea has emerged—and it is an idea at this stage—to create an option to extend the implementation period for a matter of months, and it would only be a matter of months. But as the Prime Minister has made clear, this is not expected to be used, because we are working to ensure that we have a future relationship in place by the end of December 2020.

As the House will appreciate, the length and cost of any extension to the implementation period are subject to negotiations. Throughout the implementation period, we will continue to build our new relationship, one which will see the UK leave the single market and the customs union to forge our own path and pursue an independent trade policy while protecting jobs and supporting growth.

During the progression of our exit negotiations, we reached a financial settlement with the EU that did two things—honoured our commitments made during our membership and ensured the fairest possible deal for UK taxpayers. In December, we estimated the size of the settlement to be between £35 billion to £39 billion, using reasonable assumptions and publicly available data. In April, the National Audit Office confirmed that this was reasonable.

The Government are committed to upholding our parliamentary democracy through honouring the result of the referendum and remaining fully transparent with Parliament on the deal that is reached, in advance of the meaningful vote.

John Redwood: The Treasury should do some calculations, because it would be an act of great rashness to agree to extend our period when we would be in another seven-year financial period for the EU, with all the consequences that might bring. It could cost £15 billion or more for a year and we would probably have to accept liabilities that might extend for the whole seven-year financing period. Why wouldn't the EU front-load its expenses when we were still in the thing, and why wouldn't it expect us to meet the forward commitments, as it says it wants us to do as and when we leave under the existing seven-year period?

We are desperately in need of more money for our schools, our hospitals, universal credit and for our defence—*[Interruption.]* We desperately need money so that we can honour our tax-cutting pledges which we all made in our 2017 manifesto—*[Interruption.]*

Mr Speaker: Order. I apologise for interrupting the right hon. Gentleman, whose flow is difficult to stop—and I would not want it to be stopped.

The right hon. Gentleman must be heard. Mr Matheson, you are normally a most cerebral individual. Take a tablet.

John Redwood: Our economy is being deliberately slowed by a fiscal and monetary squeeze that we need to lift. We need tax cuts to raise people's take-home pay so that they have more spending power. All this is possible if we do not give £39 billion to the EU, and all this will be even more possible if we do not pledge another £15 billion or £20 billion for some time never, if we are now going to give in yet again.

When will the Government stand up to the EU, when will the Government say that they want a free trade agreement and they do not see the need to pay for it, and when will the Government rule out signing a withdrawal agreement that is a surrender document that we cannot afford?

John Glen: I am grateful to my right hon. Friend for a number of Budget representations on that point. What I can confirm is that, when the sum of £35 billion to £39 billion was agreed, it was agreed on three principles: the UK would not make its payments sooner than it would otherwise have done; it would be based on the actual rather than the forecast; and it would mean that we would include all benefits as a member state. I recognise the wide range of concerns in the House, including those raised by my right hon. Friend, but we are at a delicate stage of the negotiations and the Prime Minister will be speaking to the House shortly.

[Accepting EU ways brings down Conservative leaders](#)

Yesterday Mrs May received plenty of friendly Conservative advice to be firmer in her negotiations with the EU. Conservative leaders who love the EU more than their party have in the past lost their jobs. John Major, David Cameron and to some extent Edward Heath all lost their jobs by being too enthusiastic about the EEC/EU. The overwhelming majority of Conservative members today expect their Leader to stand up to the EU and to get on with leaving the EU as we have agreed to do. Mrs May seems to understand where her party is and acknowledges that we want to take back control of our money, our borders and our laws. She has made a clear red line over a border in the Irish Sea, but needs to dig in behind other red lines as well. She is in danger of being dragged into potential concessions that compromise such a result.

John Major is the best example of a leader whose complete tenure of office as PM was dominated by a bad policy decision which came from the EU. The UK's membership of the European Exchange Rate Mechanism which he had championed with his friends at the CBI did substantial economic damage. It first led to an inflationary credit expansion, then led to a sharp monetary contraction, a

big fall in the pound and penal rates of interest which brought on a predictable and damaging recession. It did not just cost John Major his job, but meant the Conservative party was out of office for 13 years and failed to win a majority in the Commons for 18 years. The CBI leadership sought to ignore the damage their recommended policy did to many businesses.

David Cameron too lost his job directly by being too pro EU. He failed to negotiate firmly with them. He then wrongly decided to recommend a so called deal which amounted to very little, only to discover the UK voters wanted to take a much firmer line with an EU that had treated him badly. He rightly saw that his position was untenable when he lost a referendum on the issue of continued membership on his renegotiated terms, having been fully behind staying in. He too trusted the CBI advice, and saw similar advice coupled to wildly inaccurate short term forecasts from the Bank and Treasury look absurd in the year after the vote.

Edward Heath took the Conservatives down to defeat in a General Election mainly owing to the economic problems of the time, part national and part more global. The fact that the UK had just joined the EEC was however a contributory factor to his demise. There was no improvement in output, incomes and living standards when we joined in the way Mr Heath had promised, and many UK manufacturing businesses were hit badly by the tariff free competition EEC membership unleashed in steel, cars, ships and others. Mr Heath had also upset a significant minority in his party, lost friends over the EEC, and diverted enormous amounts of government time and attention to putting us under EEC rules and taxes to try to conform. He did not see the economic disaster coming and when it hit he had few political friends left.